

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 L-03 PA-01 /103 W
-----019795 081851Z /64

R 081633Z MAR 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 4979
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY PARIS
AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

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BRUSSELS FOR USEEC
GENEVA FOR USMTN
PARIS ALSO FOR OECD

E.O. 11652: N/A
TAGS: ECON, EFIN, PO
SUBJECT: ECONOMIC DEVELOPMENTS

SUMMARY. GENERAL REACTION TO U.S. \$300 MILLION LOAN IS
FAVORABLE, BUT THE COUNTRY'S WORST WINTER STORMS IN YEARS
SUCCEEDED IN DIVERTING THE PRESS' ATTENTION AWAY FROM THE
LOAN ANNOUNCEMENT. BANK OF PORTUGAL GOVERNOR SILVA LOPES HAS
ANNOUNCED HIS DECISION TO REMAIN IN OFFICE UNTIL THE END OF
1978. EUROPEAN PARLIAMENT PRESIDENT, DURING OFFICIAL VISIT
TO LISBON, SUPPORTED PORTUGAL'S EC APPLICATION. GASOLINE
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CONSUMPTION DECREASED IN 1977, ESPECIALLY IN FINAL QUARTER.
ESCUDO EXCHANGE RATE HAS BEGUN TO MOVE SLIGHTLY RELATIVE TO
THE DOLLAR. END SUMMARY.

1. ECONOMIC ISSUES LOOM LARGE: THE UNITED STATES/PORTU-
GAL \$300 MILLION LOAN AGREEMENT OF MARCH 1 HAS RECEIVED
EXTENSIVE AND GENERALLY FAVORABLE PRESS COVERAGE. EVEN

THE PCP "O DIARIO" AVOIDED ITS USUAL ALLUSIONS TO CAPITALIST AND REACTIONARY MACHINATIONS. OVER THE MARCH 4-5 WEEKEND, THE PRESS REPORTED ON THE IMF MISSION'S BRIEF VISIT TO LISBON, HIGHLIGHTING THE LACK OF A DEFINITIVE AGREEMENT BECAUSE OF ALLEGEDLY HARSH CONDITIONS PROPOSED BY IMF. MEANWHILE, THE GOVERNMENT IS PREPARING A REVISED BUDGET AND 1978 DEVELOPMENT PLAN FOR SUBMISSION TO THE ASSEMBLY NEXT WEEK. IN EFFORT TO GAIN SUPPORT FOR THESE PROGRAMS, PRIME MINISTER SOARES HAS BEEN MEETING WITH REPRESENTATIVES OF SUCH ECONOMIC INTEREST GROUPS AS CIP, CAP, CGTP-INTER AND CCP.

2. WINTER STORM LEAVES ITS MARK ON PORTUGAL: OVERSHADOWING PUBLIC INTEREST IN ECONOMIC ISSUES, THE MOST SEVERE WINTER STORMS IN RECENT YEARS HAVE INFLICTED WIDESPREAD DAMAGE ON THE CONTINENT AND ON BOTH OF THE PRINCIPAL ISLAND GROUPS. ALTHOUGH THE LOSS OF HUMAN LIFE WAS MINIMAL, THE STORMS' PHYSICAL DAMAGE, TOGETHER WITH POPULAR APPREHENSION ABOUT THE COMING ECONOMIC AUSTERITY PROGRAM, HAS CAUSED MANY TO REITERATE THE OFTEN EXPRESSED THOUGHT THAT "HEAVEN DOESN'T LOVE THE PORTUGUESE VERY MUCH THESE DAYS."

3. BANK OF PORTUGAL GOVERNOR TO EXTEND: BANK OF PORTUGAL GOVERNOR SILVA LOPES ANNOUNCED MARCH 6 THAT HE WOULD REMAIN IN HIS POST UNTIL DECEMBER 31, 1978 AT THE REQUEST OF PRIME MINISTER SOARES AND MINISTER OF FINANCE VITOR

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CONSTANCIO. SILVA LOPES HAD ORIGINALLY SUBMITTED HIS RESIGNATION LAST OCTOBER, BUT HAS WITHDRAWN IT TO INSURE CONTINUITY IN GOP FISCAL POLICY AND IN ITS NEGOTIATIONS WITH THE IMF.

4. EFFECTS OF HIGHER PRICES ON GASOLINE CONSUMPTION: THE GOVERNMENT'S PROGRAM TO DECREASE GASOLINE CONSUMPTION THROUGH HIGHER PRICES APPEARS TO BE SUCCEEDING. CONSUMPTION OF GASOLINE IN 1977 DECLINED BY 2.6 PERCENT, FROM 781 THOUSAND TO 760 THOUSAND METRIC TONS, IN SPITE OF ESTIMATED 76 THOUSAND NEW CAR REGISTRATIONS. GASOLINE CONSUMPTION IN 10-MONTH PERIOD OF MARCH THROUGH DECEMBER 1977 DECLINED BY 3.8 PERCENT COMPARED WITH SAME PERIOD IN 1976. DURING FINAL THREE MONTHS OF 1977, FOLLOWING SECOND GASOLINE PRICE INCREASE OF THE YEAR, CONSUMPTION DECREASED BY 9.6 PERCENT COMPARED WITH FINAL QUARTER OF 1976.

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BRUSSELS FOR USEEC
GENEVA FOR USMTN
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5. EUROPEAN PARLIAMENT PRESIDENT SUPPORTS PORTUGAL'S
EC BID: IN A WELL-PUBLICIZED TWO-DAY VISIT IN LATE
FEBRUARY, EUROPEAN PARLIAMENT PRESIDENT EMILIO COLOMBO
VOICED STRONG SUPPORT FOR PORTUGAL'S APPLICATION FOR
EC MEMBERSHIP. HE REPORTEDLY STATED THAT A NEGATIVE
DECISION ON PORTUGAL'S BID, AS WELL AS THOSE OF GREECE
AND SPAIN, IS VIRTUALLY IMPOSSIBLE. COLOMBO ADDRESSED
THE PORTUGUESE NATIONAL ASSEMBLY AND MET SEPARATELY WITH
REPRESENTATIVES OF ALL POLITICAL PARTIES, THE PRIME
MINISTER AND THE PRESIDENT.

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6. ESCUDO RATE: ESCUDO/DOLLAR BUY RATE, WHICH STOOD AT
39.735 ON FRIDAY, FEBRUARY 25, CLOSED AT 40.121 ON
FRIDAY, MARCH 3 AND AT 40.378 ON TUESDAY, MARCH 7.
BLOOMFIELD

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